



UNIVERSITY OF HAWAI'I

TESTIMONY

UOH 900 UNIVERSITY OF HAWAII SYSTEMWIDE PROGRAMS

Testimony Presented Before the
Senate Committee on Higher Education
House Committee on Higher Education

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by

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**Program ID and Title: UOH- 900/ University of Hawaii Systemwide Programs
Supplemental Budget Request for Fiscal Year 2006-2007**

I. Introduction:

The objectives of the UOH-900/University of Hawaii Systemwide Programs are: (1) to facilitate the operation of the institution as an organization by providing executive management, fiscal, logistical, career and technical education, student assessment, and other related student/academic/administrative support services across the ten-campus University of Hawaii System as well as (2) to plan and administer certain statewide postsecondary education programs funded by the Federal government.

The major activities include policy formulation; Statewide planning and coordination; management of financial, budgeting, personnel, and information technology services, public relations, and all administrative, logistical, and technical services needed to support students, faculty, staff, and facilities.

Also included are the Educational Improvement Fund for the purpose of improving instruction; the Alternative Delivery Fund which provides alternative instructional delivery systems; management information support including a common Systemwide enrollment database and benchmark reporting; tuition analysis; institutional assessment; legal services; workers' compensation and unemployment insurance compensation programs; technology transfer and economic development; Statewide planning and implementation of career and technical education services pursuant to the Carl D. Perkins Vocational and Technical Education Act of 1998; the State Student Incentive Grant Program (SSIG); and participation in the Western Interstate Commission Higher Education (WICHE). The SSIG program provides financial aid to economically disadvantaged resident students, while WICHE provides admissions preference for Hawaii students in other participating states' academic programs which are not available in Hawaii. The Hawaii Commission on National and Community Service is administratively attached as part of the Systemwide appropriation.

II. Program Performance Results:

Upon the recommendation of the administration, the Board of Regents (BOR) approved a six year tuition schedule that is based on an integrated financial model for the University taking into consideration state appropriations, tuition revenues, and financial aid. The approved schedule increases tuition to the projected average rates of peer and regional campuses by the sixth year of the schedule.

In order to protect the University's strong record of access, need-based financial aid will be significantly expanded to enable low income students and their families to afford the increased tuition at the UH campuses. The administration briefed the BOR at their November meeting on a proposed revision of the tuition waiver policy and the non-resident tuition differential program that is intended to maximize the financial assistance

available for Hawaii residents enrolled as students in the UH system and to ensure that the revenues made available for financial assistance serve the interests of the University and the taxpayers of the state of Hawaii. The proposal is now out for consultation.

In the area of financial management, major accomplishments for the year included the implementation of a web based travel reporting system, eTravel. eTravel takes advantage of technology and enables travel requests to be completed and processed more quickly and accurately since many of the manual functions and computations related to travel reporting can now be accomplished electronically. A planned enhancement to eTravel will allow employees the option of receiving their travel payments electronically, using Electronic Funds Transfer (EFT). During the year, the University increased the number of electronic payments to vendors and students by using EFT and Automated Clearing House (ACH). We have found that electronic payments are less costly and more efficient than check processing and hope to increase the use of electronic payments.

Other electronic system implementations and enhancements in progress include eCommerce, ePurchasing, University Financial Data Mart, and Kualii.

1. eCommerce will provide additional payment options to students including the ability to pay tuition on an installment basis, electronic bill presentment, and electronic payments and disbursements.

2. ePurchasing is a University developed purchasing system that is fully integrated with the University's Request for Quotation system ("Superquote") and UH financial system. FMIS enhancements planned include the electronic submission of purchase orders to vendors and development of a contract sub-module.

3. University Financial Data Mart has been established allowing users to create ad hoc financial reports from FMIS. Thus far, 95 individuals from 31 different departments have been trained to use Discoverer. Discoverer gives program managers easy access to financial data for planning and management purposes.

4. Kualii – The University of Hawaii, Cornell University, San Joaquin Delta College, Michigan State University, and the University of Arizona are core partners with Indiana University, the National Association of College and University Business Officers (NACUBO), and the r-smart group to develop the modular financial software based on Indiana University's financial system. The Kualii system is projected as the replacement to the University's financial system (FMIS). FMIS is no longer supported by the software vendor it was purchased from. The Kualii project is an exciting opportunity to implement a "best practice" system developed in collaboration with other Universities. Although the implementation of Kualii will not occur for several years, participation in the development stage of the project has had a serious impact on workload requirements of FMO staff members and the changes in processes necessary before implementation will have a major additional impact on workload and resources.

The University is currently establishing a digital records and signature policy that will allow UH programs to store records in electronic rather than hard copy form in order to reduce record storage and retrieval costs. Additionally, electronic signatures will

enable the routing of documents for approval electronically resulting in improved processing times for transactions. Currently, a significant amount of resources, i.e. storage space and staff time is spent on records storage and retrieval. It is anticipated that the switch to digital records storage will result in cost savings as well as provide an easier and more efficient method of retrieving archived records.

The University of Hawaii continues to make strides in advancing instruction, research, administration and public service through the use of information technologies. However, continuing program success is limited by inadequate facilities and lack of staffing to meet current challenges in data and network security.

In the student affairs area, the System facilitated articulation, communication and cooperation among the ten UH campuses, by providing leadership in establishing systemwide policies and procedures on the B+ scholarship program; electronic communications; Senior Citizens Program; Financial Aid Audit Procedures; Financial Aid Automation and Compliance; student information privacy as related to the Family Educational Rights and Privacy Act; student disabilities issues; enrollment of Pacific Island and Western Undergraduate Exchange; re-admission of students returning from military service deployment; blood drives; distance learning consortium agreement; study abroad consortium agreement; UH administration relationship with student governments; systemwide ID card; residency issues; working relationships between campuses and the system, as related to the UH reorganization; issues related to race-based admissions and financial assistance; student legal services program; admission policies related to home-schooled students; student diversity issues; and others.

The Systemwide Student Caucus, composed of student leaders of all ten UH campuses, met monthly at various campuses throughout the year. The Caucus focused on their priority issues of campus safety and security; course offerings (class availability and scheduling); articulation of curriculum and courses across campuses; communication; financial aid; facilities (parking and buildings); budget and finance; student government; academic advising; child care; student housing.

Newly-appointed Commissioners for the Hawaii Commission on National and Community Service were properly oriented and are now fully functioning members. Statewide directors and volunteer training sessions have all been successful. New grants were awarded, monitored and evaluated. A routine national financial audit was completed.

III. Problems and Issues:

The UH system is conducting an analysis of the future higher education needs in the state, called the Second Decade Project, with attention to differentiated mission, population growth, workforce development, curricular expansion, delivery modes, and requisite resources. The outcomes of the project will form policy and decision making in regard to the future growth and delivery of educational services to the state.

The primary issue for the University system office and financial management has been the lack of staffing and funds. Last year the Financial Management Office lost 12 positions due to budget cuts. The reduced staffing and need to implement new programs such as HRS 103d procurement code requirements, increased internal/external reporting needs, improvements in internal control, and the other initiatives discussed previously will ultimately result in employee morale problems, decreased effectiveness and staff departures if not addressed in a timely manner. Programs such as student financial aid, and the need to meet federal mandates and student service requirements are lacking in funding and staffing. Additional automation is needed in areas such as financial aid compliance.

As highlighted by the Manoa Flood and reinforced by the experiences in New Orleans through Hurricanes Katrina and Rita, it is clear that there is substantial risk to house critical information technology equipment in obsolete facilities. This not only threatens the viability of teaching, research and administration throughout the UH system, but also puts the State of Hawaii, which relies on the University to provide its gateway to the Internet, at considerable risk. A new building has been sited to house and protect this critical infrastructure for the 21st century and provide the University's first emergency operations center. The BOR CIP budget request includes design funds to initiate this project.

In the first half of the decade, the University executed a major internally –funded project to convert its ten separate student registration systems into a single consolidated information system. While the new software is now in operation, there is need for additional staffing and support to fully benefit from the efficiencies that the new system offers. Additional staffing and support is requested in the supplemental budget.

Security, compliance and information management to meet internal and external reporting requirements are critical areas where existing resources have been diverted to meet new unfunded mandates and are now threatening to reduce current levels of service. New resources have been requested to increase support for urgently needed systemwide information security initiatives to protect the institution and the constituencies we serve. In addition, the funds requested will help initiate a program to improve institutional capacity in integrated information management in order to provide information-based decision support to managers, executives as well as external constituents and to meet compliance requirements.

During the budget deliberations of the 2005 session, the Legislature deleted 45 position counts from the UOH-900 Systemwide Institutional Support program. After reviewing the impact that the loss of positions will have on operations, the University is requesting restoration of 14 position counts in the Supplemental budget. Because position vacancies occur disproportionately in certain areas, each affected unit was surveyed to respond to the impact of deleting position counts in their respective areas, the 14 position counts is the minimum that needs to be restored simply to maintain current service levels.

Act 216, SLH 2004, repealed the University's exemption from the State Procurement Code. Effective January 1, 2005, the University has been subject to the State Procurement Code. During the previous period of exemption the University worked hard on procurement procedures that are open, accountable, efficient, and better suited to the needs of the University than the State's procurement code. We required open competition for all purchases over \$2,500 rather than the "3 quote" process used by the state. The University has implemented the State's first online bidding system with web-based purchasing. The requirements of the state's procurement code, since January, has increased the workload and processing time involved in the purchasing process. In many instances, the requirements have not led to more competitive bids or better products and services.

IV. Expenditures for Fiscal Year 2005-2006:

	Act 178/05 FY 2006	Collective Bargaining	Transfer In/(Out)	(Restriction)/ Specific Apprn	Net Allocation	Est Total Expend
Personal Services	(342.50) 45,977,125	493,476	(19,951,904)		(342.50) 26,518,697	(342.50) 26,518,697
Current Expenses	241,919,548				241,919,548	241,919,548
Equipment	235,000				235,000	235,000
Motor Vehicles						
Total	<u>288,131,673</u>	<u>493,476</u>	<u>(19,951,904)</u>	<u> </u>	<u>268,673,245</u>	<u>268,673,245</u>
Special Funds	(4.00) 8,857,472		(489,344)		(4.00) 8,368,128	(4.00) 8,368,128
Federal Funds	(4.00) 659,031		(1,364)		(4.00) 657,667	(4.00) 657,667
Revolving Funds	(5.00) 14,087,414		(929,612)		(5.00) 13,157,802	(5.00) 13,157,802
General Funds	(329.50) 264,527,756	493,476	(18,531,584)		(329.50) 246,489,648	(329.50) 246,489,648

Transfers

The transfer out of \$19,951,904 in personal services is for the consolidated collective bargaining appropriation made by the Legislature into the systemwide budget for all

campuses. During the budget allocation process, the funds have been transferred to the appropriate expending unit. There are corresponding transfer-ins to the respective appropriations to reflect each campus' share.

Restrictions

None.

V. Supplemental Budget Requests for Fiscal Year 2006-2007:

	<u>Act 178/05 FY 2007</u>	<u>BOR Request FY 2007</u>	<u>BOR Supplemental Request FY 2007</u>
Personal Services	(342.50) 54,510,070	(66.00) 860,572	(408.50) 55,370,642
Current Expense	262,211,939	6,085,000	268,296,939
Equipment	35,000		35,000
Motor Vehicles			
Total	<u>316,757,009</u>	<u>6,945,572</u>	<u>323,702,581</u>
Less:			
Special Funds	(4.00) 11,101,868		(4.00) 11,101,868
Federal Funds	(4.00) 659,031		(4.00) 659,031
Revolving Funds	(5.00) 14,104,478		(5.00) 14,104,478
General Funds	(329.50) 290,891,632	(66.00) 6,945,572	(395.50) 297,837,204

General Funds

	Item/Description	MOF	Cost Category	FY 2005
1.	Systemwide Banner Support	A		(3.00)
			A-Personnel Costs	147,000
			B-Current Expenses	
			C-Equipment	
			TOTAL	(3.00) 147,000

This request is the remainder of the 2005-2007 Biennium Budget request for additional support for the systemwide student information system. Two positions and \$200,000 has been appropriated and these positions and funds would complete the staffing for the support unit.

	Item/Description	MOF	Cost Category	FY 2005
2.	Systemwide IT Support	A		(5.00)
			A-Personnel Costs	306,000
			B-Current Expenses	
			C-Equipment	
			TOTAL	(5.00) 306,000

This request is for additional informational technology support urgently needed for systemwide information security initiatives to protect the institution and the many individuals served.

	Item/Description	MOF	Cost Category	FY 2005
3.	IT Position Conversion Temporary to Permanent	A		(38.00)
			A-Personnel Costs	
			B-Current Expenses	
			C-Equipment	
			TOTAL	(38.00)

One of the ways in which the University has attempted to cope with the dramatic explosion of needs for information technology services and support has been

through the use of temporary positions. This request would create new permanent positions for the conversions of temporary positions who are now providing core IT support and are funded through stable operational sources of funding.

	Item/Description	MOF	Cost Category	FY 2005
4.	Conversion of Tuition Waivers to Scholarships	A	A-Personnel Costs	
			B-Current Expenses	6,660,000
			C-Equipment	0
			TOTAL	6,660,000

Although this request was initially approved by the Board of Regents for inclusion as a Supplemental budget request item, after internal review this request has been withdrawn from consideration. As explained in the President's testimony, the issue can be internally resolved without additional appropriation from the Legislature.

	Item/Description	MOF	Cost Category	FY 2005
5.	P-20 Funding	A	A-Personnel Costs	(3.00) 235,000
			B-Current Expenses	
			C-Equipment	
			TOTAL	235,000

This request is for positions and funds to support the P-20 Hawaii Initiative. This program began with funding from a private grant and cooperation with the DOE and private providers of educational services. The success of the coordinated effort has led to this request to make the program a permanent part of the University's efforts.

	Item/Description	MOF	Cost Category	FY 2005
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6.	Positions and Funds for UH Office of Internal Audit	A	A-Personnel Costs	(3.00) 225,000
			B-Current Expenses	
			C-Equipment	
			TOTAL	225,000

This budget request is in response to a BOR study recommending an increased role of the University's Internal Audit Office. Current staffing levels do not meet the changing expectations of the Internal Audit Office and are less than comparable institutions.

	Item/Description	MOF	Cost Category	FY 2005
7.	Restore Abolished Systemwide Positions	A	A-Personnel Costs	(14.00)
			B-Current Expenses	
			C-Equipment	
			TOTAL	(14.00)

These position counts have been identified as essential to the administrative operations of the Systemwide Institutional Support program. The Legislature deleted 45 position counts from this program during the 2005 session. After careful consideration, restoration and reconsideration of these 14 position counts is requested, as a minimum to maintain current service levels.

	Item/Description	MOF	Cost Category	FY 2005
8.	Transfer Funds for College of Hawaiian Language	A	A-Personnel Costs	
			B-Current Expenses	(250,000)
			C-Equipment	
			TOTAL	(250,000)

Transfer \$250,000 to Hilo (UOH-210) for the College of Hawaiian Language.

	Item/Description	MOF	Cost Category	FY 2005
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9.	Transfer Funds for Accreditation	A	A-Personnel Costs	
			B-Current Expenses	(325,000)
			C-Equipment	
			TOTAL	(325,000)

Transfer \$325,000 to the University of Hawaii – West Oahu (UOH-700) to meet accreditation requirements.

	Item/Description	MOF	Cost Category	FY 2005
10	Funds Transfer – Secretary for VP Comm. Coll	A	A-Personnel Costs	(52,428)
			B-Current Expenses	
			C-Equipment	
			TOTAL	(52,428)

Transfer \$52,428 to UOH-906 Community College Systemwide in exchange for position transferred from UOH-900 Systemwide.

VI. Program Restrictions

None

VII. Capital Improvements Program (CIP) Requests for FY 2006-2007

See Consolidated CIP attachment.

VIII. Proposed Lapses of Capital Improvements Program Projects

None